R.06-03-004

FILED
02-11-08
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	RULEMAKING 06-03-004 (Filed March 2, 2006)

Reply Comments of the California Center for Sustainable Energy Regarding the Opinion Denying Petition by FuelCell Energy to Modify Decision 04-12-045

California Center for Sustainable Energy

February 11, 2008

Andrew McAllister
Director of Programs
California Center for Sustainable Energy
8690 Balboa Ave., Suite 100
San Diego, CA 92123
Tel: (858) 244-7282
Fax: (858) 244-1178
andrew.mcallister@energycenter.org

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	RULEMAKING 06-03-004 (Filed March 2, 2006)

Reply Comments of the California Center for Sustainable Energy Regarding the Opinion Denying Petition by FuelCell Energy to Modify Decision 04-12-045

I. INTRODUCTION

The California Center for Sustainable Energy (CCSE), formerly known as the San Diego Regional Energy Office (SDREO), appreciates the opportunity to offer these reply comments regarding the *Opinion Denying Petition by FuelCell Energy to Modify Decision 04-12-045* (Proposed Decision). We admire the Commission's incisive and constructively critical analysis of FuelCell Energy's (FCE's) Petition for Modification of Decision 04-12-045 (Petition for Modification); it is clear that the Commission's goals are both to meet the Self-Generation Incentive Program's (SGIP's) goal of transforming markets for clean distributed generation and to ensure the most effective use of ratepayer funds. CCSE very much shares these goals.

In our response[1] to the Petition for Modification, we stated our support for an increase of the SGIP incentive cap from 1 MW to 3 MW, with the caveat that an increase should only be permitted for technologies identified as renewable under the SGIP. The Proposed Decision would deny FCE's Petition for Modification, and CCSE provides the following reply comments in response:

---

[1] *Response of the California Center for Sustainable Energy to FuelCell Energy's Petition for Modification of Decision 04-12-045*, August 24, 2007.

- CCSE supports FCE's proposal to limit the application of the increased incentive cap to renewable projects;
- Oversubscription of available incentive funding is preferable to undersubscription;
- Rollover of incentive funds from previous program years and cancelled projects has resulted in a greater incentive budget capable of absorbing the initial surge of projects greater than 1MW;
- CCSE supports a tiered incentive structure to prevent monopolization of program funds by only a few larger system customers; and
- Providing incentives for customers wishing to install larger systems can benefit the projects, the market, the environment, and the ratepayers.

II. CCSE SUPPORTS FCE'S PROPOSAL TO LIMIT THE APPLICATION OF THE INCREASED INCENTIVE CAP TO RENEWABLE PROJECTS.

We support FCE's proposal to limit the application of the increased incentive cap to renewable projects. As detailed in Table 1-8 of the SGIP Sixth Year Impacts report, the technologies that provide the most benefit offsetting greenhouse gases (GHGs) per MWh of electricity production are renewable technologies, including wind, solar, and renewable-fueled CHP. We note that wind energy projects have experienced difficulty in the prescribed capacity range and thus, could also benefit from the increased incentive cap to stimulate projects greater than 1MW that would otherwise be limited to 1MW due to the current Net Metering limitations.

III. OVERSUBSCRIPTION OF AVAILABLE INCENTIVE FUNDING IS PREFERABLE TO UNDERSUBSCRIPTION.

A successful incentive program is one that stimulates the growth of the focus market by maintaining a balance between market development and the incentive rate such that the available incentive funding is fully utilized, if not oversubscribed. Funds that sit unreserved are funds that are not helping the market expand. Funds that sit unreserved may indicate a number of shortcomings in the eligible technology market, the incentive rates, and/or programmatic execution. We echo PG&E's assessment of renewable fuel cell participation thus far as anemic, and furthermore, we agree with PG&E and FCE that there is a need to improve the market stimulus for that technology.[2]

IV. ROLLOVER OF INCENTIVE FUNDS FROM PREVIOUS PROGRAM YEARS AND CANCELLED PROJECTS HAS RESULTED IN A GREATER INCENTIVE BUDGET CAPABLE OF ABSORBING THE INITIAL SURGE OF PROJECTS GREATER THAN 1MW.

The rollover of incentive funds from previous program years as well as cancelled projects has resulted in a greater incentive budget that we believe is capable of absorbing the initial surge of projects greater than 1MW. As per our Budget Status Report posted on January 16, 2008, we have approximately $14.5 million available in addition to the $9.9 million incentive budget for 2008 recently approved by the Commission.[3] Concurrently, the breadth of technologies eligible to receive incentives through the SGIP was recently reduced to only wind and fuel cells.[4] Together, these technologies account for approximately $21.1 million of $506.7 million, or just 4% of the incentives the SGIP has paid to program participants statewide. By the same measure, completed fuel cells and wind represent 8.9MW of 278.1MW, or 3.2% of installed statewide capacity that has received an incentive. Thus, given the currently available incentive budget coupled with the new limitation of eligible technologies to wind and fuel cells, the incentive budget should be able to absorb the initial surge of projects greater than 1MW.

---

[2] *Opening Comments of Pacific Gas and Electric Company on the Proposed Decision of President Peevey Denying FuelCell Energy's Petition to Modify Decision 04-12-045 regarding Self Generation Incentive Program Cap*, February 4, 2008, page 2.

[3] Decision 08-01-029, *Opinion Adopting Self Generation Incentive Program Budget for 2008*, February 1, 2008.

[4] Beginning January 1, 2008, program eligibility for SGIP incentives is limited to qualifying wind and fuel cell distributed generation (DG) technologies, as per Assembly Bill (AB) 2778.

V. CCSE SUPPORTS A TIERED INCENTIVE STRUCTURE TO PREVENT MONOPOLIZATION OF PROGRAM FUNDS BY ONLY A FEW LARGER SYSTEM CUSTOMERS.

We reiterate our support of a tiered incentive structure to prevent monopolization of program funds by only a few large system customers. Likewise, PG&E and FCE have each proposed a tiered incentive structure. We note that FCE's proposed rates are similar to those contained in our response to FCE's Petition for Modification[5], wherein we described a tiered incentive structure based on the capacity of the generation system. We proposed to structure the rates as follows:

Capacity	Incentive Rate
0-1MW	100%
1MW-2MW	50%
2MW-3MW	25%

Based on our evaluation in the section to follow, we support FCE's incentive tier structure. However, we note that CCSE's structure is more conservative and would stretch the incentive funding even further.

VI. PROVIDING INCENTIVES FOR CUSTOMERS WISHING TO INSTALL LARGER SYSTEMS CAN BENEFIT THE PROJECTS, THE MARKET, THE ENVIRONMENT, AND THE RATEPAYERS.

Providing incentives for customers wishing to install larger systems will provide for the installation of more MW for fewer incentive dollars. This can benefit the projects, the market, the environment, and the ratepayers. As PG&E stated in their opening comments, with the current structure, 3MW of renewable fuel cell projects corresponds to incentive payments totaling $13.5

[5] *Response of the California Center for Sustainable Energy to FuelCell Energy's Petition for Modification of Decision 04-12-045*, August 24, 2007, pages 5-6.

million.[6] Utilizing our recently approved 2008 SGIP incentive budget of $9.9 million, we could currently provide incentives for a minimum of three projects for a total of 2.2MW of renewable fuel cells, i.e., two 1MW projects and one 200kW project.

Based on FCE's tiered structure, we could provide incentives for a minimum of two projects for a total of 3.3MW of renewable fuel cells, i.e., one 3MW project and one 300kW project. FCE's proposed tiered structure would allow for an additional 1.1MW of renewable-fueled energy that would offset approximately 1.49 tons of equivalent CO2 per MWh of energy produced.[7] Moreover, Table 5-3 of the SGIP Sixth Year Impacts Report describes an annual capacity factor of 38% for renewable-fueled energy based on participating SGIP fuel cell projects, equating to 5,456 tons of equivalent CO2 offset, for no additional incentive outlay.

Finally, utilizing FCE's proposed tiered structure, CCSE's current $23.4 million incentive budget could effectively cover a minimum of four projects for a total of 8.6MW of renewable-fueled projects, i.e., two 3MW projects, one 2.4MW project, and one 0.2MW project. By comparison, using the current incentive structure capped at 1MW, the same budget would install a minimum of five projects for a total of 5.4MW of renewable-fueled projects, i.e., five 1MW projects and one 0.4MW project. Clearly, creating a tiered incentive improves the value of the MW for which the SGIP provides incentives, while only marginally impacting the number of projects installed.

////

////

////

////

---

[6] *Opening Comments of Pacific Gas and Electric Company on the Proposed Decision of President Peevey Denying FuelCell Energy's Petition to Modify Decision 04-12-045 Regarding Self Generation Incentive Program Cap*, February 4, 2008, page 3.

[7] See Table 1-8 of the SGIP Sixth Year Impacts Report.

VII. CONCLUSION

CCSE very much appreciates the opportunity to provide these reply comments in response to the Proposed Decision.

Andrew McAllister
Director of Programs
California Center for Sustainable Energy
8690 Balboa Ave., Suite 100
San Diego, CA 92123
Tel: (858) 244-7282
Fax: (858) 244-1178
andrew.mcallister@energycenter.org

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of these reply comments regarding the *Opinion Denying Petition by FuelCell Energy to Modify Decision 04-12-045* on all known parties of record in this proceeding by delivering a copy via email to the current service list.

Executed on February 11, 2008 in San Diego, CA.

Andrew McAllister
Director of Programs
California Center for Sustainable Energy
8690 Balboa Ave., Suite 100
San Diego, CA 92123
Tel: (858) 244-7282
Fax: (858) 244-1178
andrew.mcallister@energycenter.org

Service List (as of 2/11/08)

david.kopans@fatspaniel.com
jeff@grosolar.com
tim@drakerlabs.com
Michael.Brown@utcpower.com
kmccrea@sablaw.com
info@solarpathfinder.com
manjusuri@yahoo.com
lglover@solidsolar.com
spatrick@sempra.com
hchoy@isd.co.la.ca.us
npedersen@hanmor.com
bob@energydynamix.net
mmazur@3phasesRenewables.com
susan.munves@smgov.net
mluevano@globalgreen.org
ph@phatmedia.com
steve@energyinnovations.com
djamison@capstoneturbine.com
douglass@energyattorney.com
akbar.jazayeri@sce.com
amber.dean@sce.com
annette.gilliam@sce.com
olivia.samad@sce.com
rkmoore@gswater.com
brad@bradburkearchitect.com
dfield@openenergycorp.com
michaely@sepcor.net
Dan@EnergySmartHomes.net
troberts@sempra.com
andrew.mcallister@energycenter.org
irene.stillings@energycenter.org
lschavrien@semprautilities.com
kirk@NoElectricBill.com
gbeck@etfinancial.com
rod.larson@sbcglobal.net
dhardy@cabrilloedc.org
legislative@recsolar.com
shallin@recsolar.com
pepper@cleanpowermarkets.com
mdjoseph@adamsbroadwell.com
nsuetake@turn.org
dil@cpuc.ca.gov
stephen.morrison@sfgov.org
theresa.mueller@sfgov.org
emackie@gridalternative.org
matt.golden@sustainablespaces.com
ek@a-klaw.com
sls@a-klaw.com
ebrussell@suntechamerica.com
jwmctarnaghan@duanemorris.com
placourciere@thelen.com
arno@recurrentenergy.com
bcragg@goodinmacbride.com
enriqueg@lif.org
jsqueri@goodinmacbride.com
mday@goodinmacbride.com
tmacbride@goodinmacbride.com
jkarp@winston.com
sarahtuntland@yahoo.com
rjl9@pge.com
sww9@pge.com
ssmyers@att.net
l_brown246@hotmail.com
cp@kacosolar.com
bkc7@pge.com
grant.kolling@cityofpaloalto.org
lex@consumercal.org
anewman@solarcity.com
gopal@recolteenergy.com
info@calseia.org
jharris@volkerlaw.com
svolker@volkerlaw.com
lmerry@norcalsolar.org
elarsen@rcmdigesters.com
gmorris@emf.net
robertg@greenlining.org
thaliag@greenlining.org
pucservice@dralegal.org
janice@strategenconsulting.com
jpross@sungevity.com
gary@sunlightandpower.com
tomb@crossborderenergy.com
stephen@seiinc.org
tdr-hmw@sbcglobal.net
sebesq@comcast.net
ronnie@energyrecommerce.com
rbelur@enphaseenergy.com
michaelboyd@sbcglobal.net
julie.blunden@sunpowercorp.com
rob@consol.ws
johnrredding@earthlink.net
michaelkyes@sbcglobal.net
vschwent@sbcglobal.net
cmkehrein@ems-ca.com
jjensen@kirkwood.com
meganmmyers@yahoo.com
glw@eslawfirm.com
janmcfar@sonic.net
jluckhardt@downeybrand.com
j.marston@suntechnics.com
ksoares@usc.edu
www@eslawfirm.com
cte@eslawfirm.com
lmh@eslawfirm.com
kmills@cfbf.com
atrowbridge@daycartermurphy.com
ksheldon@sma-america.com
notice@psrec.coop
markgsp@sbcglobal.net

bills@clearEdgepower.com
ryan.flynn@pacificorp.com
rogerlaubacher@pvpowered.com
pbrehm@infiniacorp.com
john.schuster@utcpower.com
hfhunt@optonline.net
michelle.breyer@gs.com
obrienc@sharpsec.com
rdennis@knowledgeinenergy.com
cswoollums@midamerican.com
jimross@r-c-s-inc.com
tcarlson@reliant.com
ghinners@reliant.com
bbaker@summitblue.com
dprall@solarpowerinc.net
kstokes@solarpowerinc.net
kjsimonsen@ems-ca.com
eshafner@solel.com
kennyk@solel.com
emello@sppc.com
tdillard@sppc.com
robert.pettinato@ladwp.com
cfaber@semprautilities.com
Marshall.Taylor@dlapiper.com
joel.davidson@sbcglobal.net
akawnov@yahoo.com
david@nemtzow.com
tbardacke@globalgreen.org
ron@relenergy.com
sendo@ci.pasadena.ca.us
slins@ci.glendale.ca.us
THAMILTON5@CHARTER.NET
Jose.atilio@gmail.com
David.Townley@townleytech.com
bjeider@ci.burbank.ca.us
Javier.Burgos@sce.com
mponceatty@aol.com
mkay@aqmd.gov
Case.Admin@sce.com
james.lehrer@sce.com
mike.montoya@sce.com
paul.kubasek@sce.com
Robert.F.LeMoine@sce.com
jyamagata@semprautilities.com
rishii@aesc-inc.com
yonah@powerbreathing.com
lwrazen@sempraglobal.com
liddell@energyattorney.com
mshames@ucan.org
jim@dshsolar.com
rob@teamryno.com
usdepic@gmail.com
scottanders@sandiego.edu
cmanson@semprautilities.com
cmanzuk@semprautilities.com
jennifer.porter@energycenter.org
john.supp@energycenter.org
jon.bonk-vasko@energycenter.org
sephra.ninow@energycenter.org
bautistafaith@yahoo.com
bob.ramirez@itron.com
ofoote@hkcf-law.com
ekgrubaugh@iid.com
vincent@vincentbattaglia.com
traceydrabant@bves.com
gwiltsee@dricompanies.com
TFlanigan@EcoMotion.us
LowryD@sharpsec.com
hgreen@sunedison.com
johnperlin@physics.ucsb.edu
jlanderos@proteusinc.org
lfultz@sbcglobal.net
mjwms@calwes.com
mstout@unlimited-energy.com
cbressanitanko@rsgrp.com
marigruner@yahoo.com
zingher@ieee.org
mark.mah@glunetworks.com
jrichman@bloomenergy.com
diane_fellman@fpl.com
felazzouzi@gridalternatives.org
fsmith@sfwater.org
mhyams@sfwater.org
zfranklin@gridalternatives.org
filings@a-klaw.com
nes@a-klaw.com
sdhilton@stoel.com
david.felix@mmarenew.com
abonds@thelen.com
scott.son@newresourcebank.com
kfox@wsgr.com
lauren.purnell@pge-corp.com
LATc@pge.com
matt.scullin@newresourcebank.com
S2B9@pge.com
CEM@newsdata.com
jwiedman@goodinmacbride.com
joshdavidson@dwt.com
vprabhakaran@goodinmacbride.com
sara@solaralliance.org
jhamrin@resource-solutions.org
CLHs@pge.com
jwwd@pge.com
paul@tiogaenergy.com
ben@solarcity.com
jpigott@optisolar.com
cpucsolar@rahus.org
tomhoff@clean-power.com
andy.vanhorn@vhcenergy.com
sewayland@comcast.net
sbeserra@sbcglobal.net
josephhenri@hotmail.com

pthompson@summitblue.com
dietrichlaw2@earthlink.net
ted@energy-solution.com
nehemiah.stone@kema.com
nellie.tong@us.kema.com
karin.corfee@kema.com
phillip_mcleod@lecg.com
jody_london_consulting@earthlink.net
ken.krich@ucop.edu
ciee@ucop.edu
mrw@mrwassoc.com
rschmidt@bartlewells.com
adamb@greenlining.org
bobakr@greenlining.org
cchen@ucsusa.org
jesser@greenlining.org
stephaniec@greenlining.org
ksmith@powerlight.com
kate@sunlightandpower.com
Sarah@sunlightandpower.com
elvine@lbl.gov
GLBarbose@LBL.gov
mwbeck@lbl.gov
MABolinger@lbl.gov
NJPadgett@lbl.gov
rhwiser@lbl.gov
knotsund@berkeley.edu
Dan.Thompson@SPGsolar.com
eric.carlson@spgsolar.com
iris.chan@spgsolar.com
joelene.monestier@spgsolar.com
darmanino@co.marin.ca.us
juliettea7@aol.com
dowen@ma.org
rb@greenrockcapital.com
jcluboff@lmi.net
bstewart@solarcraft.com
Elizabeth.Ferris@spgsolar.com
barbara@earthskysolar.com
sberlin@mccarthylaw.com
njfolly@tid.org
nick@npcsolar.com
rob@dcpower-systems.com
janh@pacpower.biz
rmccann@umich.edu
demorse@omsoft.com
saeed.farrokhpay@ferc.gov
kdusel@navigantconsulting.com
cpucrulings@navigantconsulting.com
gpickering@navigantconsulting.com
lpark@navigantconsulting.com
scott.tomashefsky@ncpa.com
george@utilityconservationservices.com
karly@solardevelop.com
bernadette@environmentcalifornia.org
dcarroll@downeybrand.com
d.miller@suntechnics.com
h.dowling@suntechnics.com
jwimbley@csd.ca.gov
rachel@ceert.org
blaising@braunlegal.com
Sgupta@energy.state.ca.us
mrawson@smud.org
sfrantz@smud.org
abcstatelobbyist@sbcglobal.net
karen@klindh.com
Tenorio@sunset.net
jmaskrey@sopogy.com
deb@a-klaw.com
californiadockets@pacificorp.com
kyle.l.davis@pacificorp.com
George.Simons@itron.com
patrick.lilly@itron.com
jack.burke@energycenter.org
arr@cpuc.ca.gov
as2@cpuc.ca.gov
aes@cpuc.ca.gov
tam@cpuc.ca.gov
css@cpuc.ca.gov
dsh@cpuc.ca.gov
dot@cpuc.ca.gov
eah@cpuc.ca.gov
jm3@cpuc.ca.gov
jjw@cpuc.ca.gov
jxm@cpuc.ca.gov
cln@cpuc.ca.gov
jci@cpuc.ca.gov
jf2@cpuc.ca.gov
lp1@cpuc.ca.gov
meb@cpuc.ca.gov
mvc@cpuc.ca.gov
mts@cpuc.ca.gov
nlc@cpuc.ca.gov
nao@cpuc.ca.gov
pw1@cpuc.ca.gov
psd@cpuc.ca.gov
tdp@cpuc.ca.gov
ppettingill@caiso.com
mscheibl@arb.ca.gov
gyee@arb.ca.gov
brd@cpuc.ca.gov
dks@cpuc.ca.gov
edward.randolph@asm.ca.gov
pnarvand@energy.state.ca.us
rberke@csd.ca.gov
smiller@energy.state.ca.us
zca@cpuc.ca.gov